process. That is what the hearing will be about, and that is what the negotiation would be about.

I am a strong believer that every American has a right to their day in court, but I also believe people dying of asbestos-related disease deserve just compensation for themselves and their families. Fortunately, we are coming closer to being able to restore balance to the system. The fund is in the process of being created that will, I hope, provide a pool of lasting benefits for those with meritorious claims. At the same time, this fund will spread the burden of the cost more evenly and ensure the financial impact will not solely be directed at some parties due to their ability to pay rather than their true liabilities.

There are a number of task that remain to be done, and we recognize that, and we welcome the opportunity to bring all those folks together to make sure we come together with the best possible bill that will do the best possible job for those who are truly sick and those who will become sick.

We are now at a time, I believe, when this issue can be and should be resolved, perhaps not once and for all, as some would hope, but for a good long while, giving us a chance to restore stability and certainty to a very uncertain issue.

While this may not be a perfect bill, as they say, we must not let our desire for the perfect become the enemy of the good. Much work remains to be done, but I hope the parties, the stakeholders, will come together and work with us to refine the bill.

I look forward to working with Members on all sides who truly are striving to ensure that those who have been injured the most have an opportunity to make their cases heard.

I thank the Chair and I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

TAX CUT BILL

Mr. BAUCUS. Mr. President, sometime in the near future—near is in the eyes of the beholder—we are going to vote on the conference report to the tax cut bill. When that does come up before the Senate, I will oppose the bill and recommend the conference report not be adopted.

The conference report, which will be before us soon, is, first, not fiscally responsible. It is not fair to working Americans, and is not likely to succeed in rebuilding the American economy.

First, fiscal responsibility: Two years ago when we considered the 2001 tax cut, the Congressional Budget Office projected trillions of dollars of surpluses well into the future. In fact, $5.6 trillion was projected as budget surpluses over the next 10 years. Today, that same neutral, independent body, the Congressional Budget Office, projects deficits well into the future, and the rough estimate is about $2 trillion of deficits, a swing of close to $7 trillion to $8 trillion over just 2 years.

The fiscal environment has dramatically changed since 2002. If that is the case, I believe our tax policies should also change. Whereas in 2001 it made sense to cut taxes, today we should look much more carefully at any potential tax cut.

The fiscal environment has changed very much today compared to where it was in 2001. Consequently, we should be carefully examining our tax policies and asking whether our tax policies should change accordingly.

The Senator from Ohio, Mr. VOINOVICH, kept his word and forced the conferees to keep the conference report, at least on its face, within the $350 billion Senate agreement. Unfortunately, this tax cut bill busts through that $350 billion ceiling through a series of gimmicks that hide the true cost of the bill, and in this time of increasing deficits, I believe we must live within our limits, and this conference report fails to do so.

Instead, it uses phase-ins and sunsets to shoehorn large tax cuts into a small budget window. Republicans have designed a tax cut that is one big yo-yo. Now you see it, now you don't. Here again, on again, off again. It is one big yo-yo which I will explain in a few minutes.

The child credit, for example, has increased for the years 2003 and 2004, and then guess what. It is taken away. That is one yo-yo.

Part of the marriage penalty is eliminated for the years 2003 and 2004. Guess what again. The penalty comes back again after 2004.

The 10-percent bracket is expanded for 2003 and 2004. Then it reverts back.

Even the dividend tax cut disappears after 2008.

Individual taxpayers and corporate taxpayers, I believe, want certainty. They want some predictability. They want to be able to plan for their families, and companies want to plan for the future. Individuals want to know whether they can plan for vacations, education, and companies want to know whether to invest or not invest. We certainly do not give them that certainty and predictability in this bill.

As for planning, this bill tells American taxpayers, for example, to get married in the year 2003 or 2004, have a child in 2003 or 2004, and then get divorced in 2005. This bill is simply full of way too many gimmicks.

Last year, Members of Congress and the President expressed their outrage at the accounting gimmicks and manipulations of income and expenses by Enron, WorldCom, Adelphia. In fact, legislation was enacted last year to put the brakes on the use of accounting gimmicks by corporate America.

If these accounting gimmicks and financial statement manipulations are so intolerable in corporate America, then why are they not intolerable for the U.S. Congress? Why should Congress be allowed to deceive the American public?

What is really going on here? What is really going on is that the majority intends to extend these tax cuts beyond the budget window. That is what is really going on here. That is the accounting gimmick. That is what is hidden. But if we extend the tax cuts, they will only add to the long-term budget problem. That is, if they are extended as intended by the majority party, they will add to the fiscal nightmares just as we face budget strains brought on by the baby boom generation. Congress should come clean with what is really going on, what it is really up to.

Second, this conference report is not fair to working Americans. The benefits of this bill are skewed heavily to the elite in this country. It mistakenly directs less of its resources to working American families—much less. In this sluggish economy, that is also not good economic policy. Working American families are more likely to spend tax cuts quickly; that is, tax cuts directed at working American families will more likely help rebuild the American economy, but that is not what this bill does.

Take, for example, the tax cuts for dividends. This tax cut alone is heavily weighted to the elite. Three out of four American taxpayers have no dividend income, and half of those who do have dividend income have less than $500 in dividend income. That is about one out of eight at $500 or less in dividend income. So the overwhelming majority of Americans will get little or no benefit from this provision. But look how much this single provision will benefit the elite who do profit from it.

A taxpayer who had a million dollars in dividend income will get a tax break of $236,000. In contrast, $118 or less in tax cuts for the seven-eighths of taxpayers who receive $500 or less in dividend income and $236,000 for the dividend millionaire. That is simply not fair.

Let's look at priorities. The dividends provision is the single largest provision in the bill. That means the bill imposes a penalty on wage earners by definition.

Under the bill, the maximum tax on investment income, that is, dividends and capital gains, is 15 percent. The tax on the wages, however, continues to be heavy. A single fireman earning $35,000 per year pays 40 percent of his marginal income in Federal taxes, 15 percent in payroll taxes, plus 25 percent in income taxes.

In contrast, a retired investment banker living off the dividends on a $1 million portfolio of stocks pays only 15 percent of his marginal income in Federal taxes. Again, this is not fair.

Whatever happened to the argument that we need to eliminate the double taxation of dividends? I thought that is what this bill was supposed to be primarily about. This conference report does not do that. It does not eliminate the double taxation of dividends. Rather, in many cases it would eliminate not only the double taxation of dividends, but it eliminates even the one-time taxation of dividends income. That means zero taxation on dividends.

In many cases, as a consequence of the way this conference report is written, there will be no taxation on many dividends offered by corporations. The corporation will not pay the tax, and the shareholder will not pay the tax.

So this bill lowers the tax for dividends. It lowers the tax for capital gains. The bill says it is a priority of the majority party and the President, apparently, to ensure that the only people who need to pay full freight are those hard-working Americans who earn their income in wages.

The American way is to work hard, to earn income, to do well. There is much more opportunity and mobility in America than any other country, by far. Foreigners who come to America to live and start a business are astounded at the opportunity and mobility in this country compared to the country from which they came.

I do not criticize—in fact, I applaud—anybody who works hard and can earn an income and do well in America. At least they have a much better chance in this country compared with any other country. So I am not being critical of those who make a lot of money. That is great. I wish all Americans could make a lot of money. In fact, that is my underlying goal, certainly in my home State of Montana, to do what we can to get more people to earn more money and get higher paying jobs so more Americans are able to make ends meet.

In this bill, all of America is not being treated alike. We are not being treated together as Americans. This bill is tilted very heavily toward the elite, the extremely wealthy. They are the ones who get the big tax breaks, whereas the average American does not. That is not fair. The benefits of this bill should be evenly distributed among all Americans. That is not what has happened in this bill.

I am not being critical of tax breaks for the wealthy. They should get tax breaks, but I am saying as Americans we should pass legislation that treats Americans equally. That is not what is happening in this bill.

Basically, this bill is not fair. It is not good tax policy, and it does nothing to encourage the work ethic that built this Nation.

I might ask now, how did the conference committee pay for this nontaxation of dividends? The conference committee turned to the Americans today who otherwise would receive the relief under the marriage penalty to, in effect, pay for these tax-free dividends. To say it differently, the marriage penalty tax cuts were scaled back to pay for the dividend proposal in this bill; that is, couples are going to be penalized under this bill to pay for the huge breaks in dividend income for the elite of this country.

What about the marriage penalty for lower income families? No, this conference report does not find the resources to speed up the elimination of the marriage penalty for recipients of the earned-income tax credit, but it does find the money for the dividend tax break. Once again, that is not good tax policy. It is not fair. It does illustrate priorities but I think the wrong priorities for our country.

So this bill increases the budget deficit and lays the bill at the door of our children and grandchildren. I think those of us who seek public office have a moral responsibility to represent people in our home States. That moral responsibility is to do our best to leave this country in as good a shape or better shape than we found it. We have that responsibility because we are not going to be here forever.

We are going to have children and grandchildren and they will have children and grandchildren. We would like the United States of America to continually be strong and be the country that most people in the world look up to. That is our responsibility because we are not going to be here forever. This bill does not fulfill that moral responsibility. It leaves a huge additional burden on our children and grandchildren. That is another reason to not pass this bill.

By the time the baby boomers start to retire, when there will be huge budget pressures to help reform Medicare, to make sure that our senior citizens have the health care benefits they need and, in addition, Social Security, make sure that our senior citizens have the retirement benefits, at least the basic minimum benefits, a safety net, we should not pass this bill because this bill, in effect, makes that problem much more difficult. It adds a huge burden that Members of Congress are going to have to face when those years come up in about 5, 10, or 15 years from now.

This bill increases the budget deficit and lays the bill at the door of our children and grandchildren. It inappropriately targets its tax breaks at the elite instead of those more likely to spend it. This bill is simply not structured to be effective in rebuilding the American economy. I believe it would be irresponsible to enact this legislation, especially at this time.

I might add, there is an interesting article—in fact, it is a bit of an alarming article—in the Financial Times printed on Wednesday, just yesterday. On the front page of the Financial Times, they reported their interview of Federal Reserve Chairman Alan Greenspan. Mr. Greenspan aised concerns about the impact of further tax cuts and spending increases.

According to the Times, Mr. Greenspan:

> [E]xpressed dismay at what he characterized as a breakdown in budget discipline in Washington. He reminded lawmakers that the U.S. Government was facing a ‘‘significant’’ budget problem as the baby-boom population ages and draws on more healthcare and retirement benefits.

Mr. Greenspan added that he would:

> [L]ike to see that addressed more seriously than it is.

In his words:

> The silence is deafening.

I will not be part of that silence. I strongly urge Members of this body to do what is right, to consider what they are doing today.

In return for a short-term gain, they will be creating a long-term, much greater problem if they vote for this bill. I urge my colleagues to vote against the conference report.

I yield the floor.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM of Florida. Mr. President, I, too, wish to speak on the tax bill which will soon be before us. I rise in opposition. There are many reasons to oppose this reckless proposal. I will mention three.

No less an authority than Warren Buffett pointed out in written op-eds and television appearances the obvious fact. The obvious fact is that this legislation, as it relates to the tax-free status of corporate dividends, will create zero new jobs. Why will it create zero new jobs? It will do so because there is no additional money in the system to generate new jobs. If the corporations that are induced to pay dividends or increase the dividends that they are currently paying as a result of the tax-free status to the stockholder remove those funds from the corporate treasury, there is actually less chance that it will be invested in productive matters.

Since generally only the wealthiest of Americans will benefit by this proposal to make the remainder of dividends which are subject to taxation free of taxes, the practical effect is going to be to have these high-income Americans put the money into some account, not to spend it, and create the demand that our economy needs. Conversely, if the funds stay at the corporate level, the corporation has ongoing needs which are likely to be met by those funds. If the economic theory behind the nontaxability of dividends is that it will stimulate the economy—and the title of this bill indicates that is the objective—it is likely to have just the opposite effect.

The second concern which causes me to speak this evening is the fact that this legislation belies congressional concern for honest accounting. We have spent a lot of time in the last few months berating corporate America for its inappropriate and in some cases duplicitous accounting procedures. Now we are about to pass legislation which makes those shenanigans pale in comparison to what we are about to do.

It is hard to believe this Senate has already passed a version of this tax cut which said for the first year taxation of dividends could be cut by 50 percent; for the second year taxation of corporate dividends would be cut 100 percent; for the third year corporate dividends tax could be cut by 100 percent; and in the fourth year we would go back to the current level of taxation of corporate dividends—an absurd proposition. Clearly, the only rationale for such cooked accounting books is to allow what appears at the most superficial level to be a $350 billion tax cut, in fact, balloon into a tax cut of between $800 billion and $1 trillion. This is according to the Center for Budget and Policy Priorities.

I wanted to talk about a third reason. That is that this agreement, filled with many irresponsible policies and tax cuts, undermines our efforts to adequately fund homeland security. As a candidate for the Presidency, George Bush, when asked what would be his priorities for the use of the $5 billion surplus that lay ahead in the 10 years after January 20, 2001, said the first would be to meet our priority domestic challenges—at that time, he particularly focused on providing a prescription drug benefit for Medicare; certainly today he would include homeland security—the second, to pay down the national debt, and third, if there was any money left over, to return it to the American taxpayers in the form of tax reductions.

Subsequent events have made the President's choices easier. We do not have a $5 billion surplus to consider allocating among domestic priorities, paying down the national debt and, if funds are left over, returning them to the American taxpayer because there is no surplus. The surplus has magically, in 28 months, been converted into one of the largest deficits that our Nation has ever suffered. And the 10-year projection of those deficits is $2 trillion. When you add those two numbers together, the $5 trillion surplus that was thought to be in hand as recently as January of 2001, and now the $2 trillion addition to our national debt that we face over the next 10 years, we have in excess of a $7 trillion swing in our Nation's fiscal well-being in the course of barely over 2 years.

One of the areas in which this change in fiscal fortune has been particularly pronounced has been homeland security. The Transportation Security Administration has told the appropriators that the agency is facing a $913 million shortfall. This situation is so dire that the administration is now requesting authority to shift funds from one security program to another.

Our Nation's seaports stand out as an example of the administration's blind eye to the vulnerabilities faced by our Nation. Our Presiding Officer represents a State with one of America's great seaports. Because of the vulnerability of our Nation's 361 seaports, Congress passed the Maritime Transportation Security Act in November of last year. The Senate attempted to include in that legislation provisions that would guarantee the funding of maritime security. That effort, regrettably, failed.

But the failure did not stop there. The administration has ignored the need to improve security at our Nation's seaports, requesting little to no seaport security funds in fiscal years 2002, 2003, and again in 2004. The majority of funding which has been made available in seaport security grants has come at the action and the behest of Congress: $92 million in fiscal year 2002 through an emergency supplemental; $125 million in fiscal year 2002 through yet another supplemental; and $150 million in fiscal year 2003 in the omnibus appropriations bill. Of these amounts, only $92 million, those funds appropriated by the emergency supplemental in fiscal year 2002, has actually been distributed.

Recently, in my State of Florida, two of our ports received approximately $11 million of this $92 million. While this funding is a step in the right direction, it is clearly inadequate. According to the Coast Guard, port security improvements are estimated to cost $963 million in the first year and $4.4 billion over the next 10 years. The need is clear. The fiscal year 2002 $92 million garnered grant request that totaled $695 million, the local governments, administrators, and users of our seaports, found there were needs of $695 million but we decided that $92 million was sufficient funding to meet those needs.

For the next $125 million—these are the funds that were appropriated in the supplemental appropriations of fiscal year 2002—for $125 million in funds available, there were $997 million of requests. According to information from the intelligence community, the threat is clear.

Although a great deal of information is necessarily classified, the Associated Press is reporting today that the FBI arrested a New York City cabdriver who had conducted surveillance on bridges in Miami, FL, after he attempted to buy enough explosives to blow up a mountain from an undercover law enforcement agent, as well as purchasing bulletproof vests and night vision goggles.

Few can forget the recent tragedy of October 6, 2002, when the supertanker Lindberg was attacked by a small boat packed with explosives off the coast of Yemen.

Despite these threats, the administration has consistently reduced levels of funding for homeland security. For example, the White House refused to designate $2.5 billion in homeland security money as a budgetary emergency in fiscal year 2002. This resulted in a loss to the Transportation Security Administration of $480 million.

This should not be an either/or choice. We should not have to decide whether to protect our airports or protect our seaports. We should not have to decide whether to go on the offensive against international terrorists by effectively carrying the war to where they are as opposed to adequately defending the homeland from terrorist attacks.

Why are these programs, vital to our homeland security, struggling for funding, while we enact tax cuts which are projected over the next 10 years to cost $1 trillion? Why are we doing this? This tax cut is supposed to stimulate the economy. As Mr. Buffett has so eloquently pointed out, the major component of the tax cut, which is the removal of taxation on corporate dividends, is unlikely to stimulate even the first job. But imagine the impact on our economy if we had to close America's seaports due to a terrorist incident. Just as a point of reference, the cost last year of a labor strike at the seaports on the west coast was estimated at more than $1 billion a day. What will be the economic price for closing all 361 of our seaports?

A recent Booz Allen Hamilton port security analysis concluded that if the Government were unable to open U.S. seaports within 20 days after an attack, the New York Stock Exchange would have to halt all trading.

In June of 2002, a White House press release on homeland security stated:

> The President's most important job is to protect and defend the American people.

Regrettably, this rhetoric has not been matched by performance. It is wrong that the price of these tax cuts may be our homeland security.

It does not have to be. In October, during the debate on the Iraq war resolution, I spoke about how the lives of millions of Americans are literally in our hands. We will determine whether the level of security is that which our Nation is committed to do by the President's statement that the most important job is to protect and defend the American people, or if the only thing that stands between the American people and additional and more lethal terrorist attacks is the rhetoric of the President.

We are making the false choice in favor of tax cuts as opposed to Americans' security here at home.

I urge my colleagues to oppose the conference agreement on this tax bill, to oppose creating the artificial impression that this is going to actually improve the economy by creating new jobs, to oppose the criticism that will legitimately be raised against the Congress for setting one standard in terms of proper accounting for corporate America but applying quite a different standard to ourselves.

We should oppose this conference report because it is denying to America the resources necessary to truly protect our people.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I compliment our colleague from Florida on an outstanding statement. The Senator from Florida, who sits next to me on the Senate Finance Committee, has long been a voice of fiscal responsibility. His record is clear. I very much hope people across the country were listening to his excellent statement.

I also want to take a moment to thank our ranking member on the Finance Committee, the Senator from Montana. Earlier this evening, he gave outstanding statement describing the problems with what is being proposed here. This is not a growth package. This is not a package that is going to lift the economy. In fact, the evidence is increasingly clear that, in the long term, this is going to hurt economic growth in this Nation.

The ranking member also made clear the unfairness of this package. This is as unfair a package as I have seen in the 17 years I have served in the Senate.

All of those who vote for this package are going to have a lot of explaining to do in the future because, as a former tax commissioner, I guarantee you are going to see one scandal after another as a result of the passage of this tax bill.

This is going to provide lots of fodder for lots of writers, as they examine the consequences of this tax bill because it is going to produce, I predict on the floor of the Senate tonight, some of the most perverse tax outcomes we have ever seen as a result of legislation to pass the Congress.

As Warren Buffett observed, in commenting on the President's proposed repeal of taxes on dividends, his receptionist was going to pay a rate of taxes 10 times what he pays. He is the second richest man in the United States, and his receptionist is going to pay taxes at a rate 10 times what he pays.

Let me be clear. The measure we will vote on tomorrow morning is not quite the same measure as he was critiquing in his op-ed piece in the Washington Post. Instead of his paying one-tenth of what his receptionist pays, it may be down to one-eighth of what his receptionist pays.

I tell you, this is a scandal, and it is going to explode, and it is going to explode right in the faces of those who vote for it.

Here is the reality. We were told 2 years ago by the President that we could expect almost $6 trillion of surpluses—$5.6 trillion, to be absolutely precise—over the next decade. Now we know, instead of nearly $6 trillion of surpluses, if we enact the President's plan, we can look forward to $2 trillion of deficits. That is the hard reality confronting this Nation.

This chart shows what is happening to budget deficits year by year. The President said, once we went into deficit, after he told us, you do not have to worry about that, that is not going to happen: My program with big tax cuts is going to lift the economy; it is going to produce more jobs, more economic growth; we are going to be able to pay off the debt; we are going to be able to protect Social Security, protect Medicare.

Here are the results. The deficits are exploding. The deficit this year, on an operating basis, is going to be between $500 and $600 billion. It is going to be about $400 billion before you deal with Social Security. Under the President's plan, every penny of Social Security surplus money is going to be taken this year to pay for tax cuts and other expenses of the Government—every single dime.

The President said the deficits will be small and short lived. Wrong again. These deficits are massive, and we see no end in sight. We have $550 billion of deficits on a $2.2 trillion budget? That is large by any calculation. We do not see deficits on an operating basis below $300 billion a year anytime for the next decade.

The President told us 2 years ago, if we adopted his plan, we would be able to virtually eliminate the national debt. He said he would be able to retire all of the debt that was available to retire. He said by 2008 we would be down to $36 billion of publicly held debt. Now, after adopting his plan, we see that by 2008 we will not be down to $36 billion.

Instead, the debt is going to be $5.2 trillion. That is the publicly held debt. That is just part of the story. The gross debt of the United States is even worse. The gross debt of the United States at the end of this year will be approximately $6.7 trillion. If we adopt the President's plan, at the end of this decade it is going to be $12 trillion. The deficits and debt are exploding. They are exploding at the worst possible time.

Why is it the worst possible time? Here is the reason it is the worst possible time.

This chart shows the Medicare trust funds, the Social Security trust funds, and the cost of the tax cut the President has proposed. The blue bar is the Medicare trust fund, the green bar is the Social Security trust fund, and the red bars are the tax cuts. You can see that right now the trust funds are throwing off big surpluses. In fact, just this year, Social Security will produce a surplus of $13 billion. But look at what happens later on in this decade and in the next decade when the baby boomers start to retire. Then the trust funds turn cash negative. At the very time they go cash negative, the cost of the tax cuts explodes, dragging us deep into deficit and debt in a way that is totally unsustainable—over $1 trillion a year in deficits.

This isn't my projection. These are the President's own projections. This is page 43 of his analytical perspectives from the budget.

Here is his long-term outlook on the deficit as a percentage of the gross domestic product. Economists like to use that measurement because it is an apples-to-apples comparison over time. It takes out the effect of inflation.

This is the President's projection of where we are headed. If we adopt his tax plan and his spending plan, we never get out of deficits. These deficits that look relatively small compared to where we are headed according to the President are, in fact, record deficits. The deficit we are going to run this year is going to be the largest deficit ever in the history of America. The previous largest deficit we ran on a unified basis where all the money is put into the same pot and all the expenses come out of that pot—the largest deficit we ever had on the unified basis was $290 billion. On a unified basis this year, the deficit is going to be over $400 billion. That is here. As a percentage of gross domestic product, you can calculate it yourself—$400 billion on a $1.5 trillion economy. That is about 3.6 percent or 3.7 percent of gross domestic product deficit. But look at where we are headed. Again, this is the President's assessment of where we are headed if we adopt his plan.

Deficits as a percentage of gross domestic product of over 12 percent. Twelve percent on the economy of today would be a deficit of over $1.2 trillion this year.

Who is going to loan us the money? America is going to become a deadbeat. Why has the dollar plunged 20 percent in value in just the last several months? Why are economists saying it is poised to plunge perhaps another 10 percent? What are the implications for foreigners who are buying dollar-denominated investments today when they see the dollar dropping like a rock? Do you think they want to hold American bonds? Do you think they want to hold American stocks when the value of the dollar is dropping like a rock? What happens to the American economy if they start to pull their money out of our stock market and out of our bond market? Do you want to see interest rates jump and see equity values plunge? Just have this dynamic continue, and it will rattle the eyeteeth of the markets in this country. The idea that this is going to increase markets—I am afraid it is going to be painful.

This year alone, revenues are running $100 billion below forecasts—forecasts made only 7 months ago. Yet it is running $100 billion below what was forecast. If that continues, we are going to have the lowest revenue as a percentage of our gross domestic product since 1959, the lowest revenue in 44 years.

Remember when the President told us 2 years ago when revenue was the highest percentage of gross domestic product it has been in 40 years, he said we had to have a big tax cut to give the money back to the people. And we did. Now revenue is poised to be the lowest it has been in more than 40 years, and the President's answer is the same: Let's have another big tax cut. Give the money back to the people. He says it is the people's money. He is right about that. That is exactly whose money it is. It is the people's money.

Do you know what else? It is the people's debt. It is the people's Social Security. It is the people's Medicare. And this President is running up the debt in an unprecedented way and at the worst possible time. He is running up the debt right before the baby boomers start to retire.

If there is any question about his running up the debt, we are going to have it in our face tomorrow. We are going to have it before us tomorrow. He is asking not only for one of the biggest tax cuts ever, but he is asking for one of the biggest increases in debt ever. In fact, it is the biggest increase in debt in the history of our country.

The last time he increased the debt, it was a $450 billion increase in June of 2002. But by April of 2003, the President is back asking Congress to increase the debt by $984 billion in one fell swoop—almost $1 trillion of added debt.

This is an economic plan that is not working. It is failing. It is dangerous to the future of our country. The plan before us isn't going to work.

How can I be so sure? I just said we have a $10.5 trillion economy, and this tax cut will provide $55 billion of lift in a $10.5 trillion economy. That is less than one-half of 1 percent of gross domestic product. If all of it translates into increased economic activity, the most it can affect is one-half of 1 percent of gross domestic product.

This is a $350 billion package. At least it is advertised to be, despite the gimmicks it has. It is the most gimmick-laden package we have ever considered on the floor of the Senate. It costs $350 billion. Only 16 percent of it is effective this year to give stimulus to the economy. It is an upside-down plan. It provides too little lift now when we need it, and it costs too much in future years when we can't afford it. It is totally an upside-down plan.

If you took out the gimmicks, all the sunsets, and the phase-ins, and the dodging around that is in this plan, it doesn't cost $350 billion. It costs $1 trillion.

Those who are the most fervent advocates of this plan have no intention to sunset the various elements of this tax plan. If you do not sunset it, the true cost is $1 trillion.

We go to the question of, Will this stimulate the economy? This is the answer of the people who were hired by the White House and hired by the Congressional Budget Office to answer that question. This is their answer, as shown on this chart. This black line is the President's policy. The green line is the base; that is, if you do nothing.

What this shows is, you get that one-half of 1 percent increase in GDP in the early years, but after 2004 this plan is worse than doing nothing—worse than doing nothing in terms of economic growth. Why?

Well, the people who do that analysis—and, again, they are hired by the White House; they are hired by the Congressional Budget Office to do this kind of analysis—this is what they say:

> Initially the plan would stimulate aggregate demand significantly by raising disposable income, boosting equity values, and reducing the cost of capital. However, the tax cut also reduces national saving directly while offering little new, permanent incentive for either private saving or labor supply. Therefore, unless it is paid for with a reduction in Federal outlays—

which it is not—

> the plan will raise equilibrium real interest rates, ''crowd out'' private-sector investment, and eventually undermine potential GDP.

That is what Macroeconomic Advisers say. They are not alone.

This is from the Joint Committee on Taxation with a macroeconomic analysis of the House bill, which is the basis of the conference agreement we will have before us to vote on tomorrow:

> The simulations indicate that eventually the effects of the increasing deficit will outweigh the positive effects of the tax policy, and the buildup of private non-residential capital stock will likely decline.

I do not know how many of our own experts we have to have tell us that we are going down the wrong path, but let's say you don't put any stock in the people we have hired to advise us. Let's say you don't trust the Joint Committee on Taxation. Let's say you don't trust Macroeconomic Advisers.

How about 250 of the most prominent CEOs in America, the Council on Economic Development? They say current budget projections seriously understate the problem. While slow economic growth has caused much of the immediate deterioration in the deficit, the deficits in later years reflect our tax-and-spending choices. And the inevitable conclusion: deficits do matter.

Those who are running around this town now telling us that deficits do not matter are the folks who, for years, made political careers in saying deficits did matter. Well, deficits do matter. Anybody who tells the American people they don't is shoveling smoke.

The final point they made is the aging of our population compounds the problem. They could not be more right.

Of course, they are not alone. Here are 10 Nobel laureates in economics, 10 people who have had the greatest achievement, the greatest recognition in economics. What do they say?

> The tax-cut plan proposed by President Bush is not the answer to our problems. Regardless of how one views the specifics of the plan, there is wide agreement that its purpose is permanent change in the tax structure, not the creation of jobs and growth in the near term.

''Not the creation of jobs and growth in the near term.'' They need to change the title of this bill from the ''Jobs and Growth Package'' to the ''Not Jobs and Growth Package'' because that is what it is because it explodes the deficits and debt. It is all financed with borrowed money. The dead weight of those deficits and debt will reduce economic growth, not improve it.

The economists go on to say—again, 10 Nobel laureates—

> Passing these tax cuts will worsen the long-term budget outlook, adding to the Nation's projected chronic deficits.

It is not just them. This is the head of the Federal Reserve Board, Chairman Alan Greenspan, who endorsed the President's last round of tax cuts. Now he is saying we have to start paying attention to the growth of these deficits.

He says:

> There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended to.

But he said more. He said the tax cuts that the President is proposing should be paid for. The President has no proposal to pay for these tax cuts. He is not offsetting them by reducing spending. In fact, he is increasing spending by over $600 billion above the baseline at the same time he is recommending $1.6 trillion of additional tax cuts, when we already have record deficits.

My grandmother told me: If somebody tells you something is too good to be true, it probably is. When the President told us, 2 years ago, you could have it all, you could have a major defense buildup, you could have a massive tax cut, you could protect Social Security and Medicare fully, and in addition, you would be able to pay off the national debt, that sounded awfully good. But do you know what? It was not true. It was not close to being true.

We have already seen that instead of paying off the debt by 2008, it is going to be over $5 trillion. We also know now, instead of protecting Social Security, the President's plan is going to take and loot virtually every penny of the Social Security surplus every year for the rest of the decade. This year, he is going to take every dime. Next year, he is going to take every dime; the next year, every dime; the next year, every dime.

There are real consequences to the decision that is going to be made on this floor tomorrow. These are consequential decisions.

Chairman Greenspan said: If, however, in the process of cutting taxes you get significant increases in deficits, which induce a rise in long-term interest rates, you will be significantly undercutting the benefits that would be achieved from the tax cuts.

Again, it is not just Chairman Greenspan or 10 Nobel laureates or any of the others we have cited. Here are people at McKinsey & Co., one of the foremost consulting firms in the Nation, in fact, in the world. Mr. Koller and Ms. Foushee noted in a recent report that, as of last year, owners of 61 percent of all common stock were not subject to tax. They were not even subject to tax.

Anybody who is listening: If you have a 401(k), you do not pay taxes on dividends. In fact, 61 percent, according to their analysis, of all common stock owners were not subject to tax. So markets are driven by investors who are not concerned with the tax treatment of dividends. Thus ''the proposed tax cut'' on dividends ''seems unlikely to have a significant or lasting effect on U.S. share prices.''

It is not just consultants from one of the most prominent consulting firms or 10 Nobel laureates or the Chairman of the Federal Reserve who are warning us about the danger of the direction we are taking. But here is Warren Buffett. I think he is the second most wealthy man in America. He calls this ''dividend voodoo.'' He calls dividend tax relief ''welfare for the rich.'' He said:

When you listen to tax-cut rhetoric, remember that giving one class of taxpayer a ''break'' requires—now or down the line—that an equivalent burden be imposed on other parties.

Now, obviously, that is true because we are in deficits. Remember, all of this money that is going out for a tax cut is being borrowed. In whose name is it being borrowed? It is being borrowed in all of our names.

This is not out of surplus funds. This is out of borrowed funds. Every dime of this tax cut is being financed with borrowed money. When the President says it is the people's money, he is right. It is also the people's debt. That is how this is being financed. It is being financed by debt. Mr. Buffett goes on to say:

Government can't deliver a free lunch to the country as a whole. It can, however, determine who pays for lunch. And last week the Senate handed the bill to the wrong party.

Supporters of making dividends tax-free like to paint critics as promoters of class warfare. The fact is, however, that their proposal promotes class welfare. For my class.

Mr. Buffett is referring to himself and other extraordinarily wealthy individuals.

Where is a big chunk of the money coming from? Here it is. We are going to run, in Social Security, $2.7 trillion in surpluses over the next decade. Under the President's plan, $2.698 trillion is being taken to pay for these tax cuts and other expenses. This is the biggest raid on Social Security that has ever been conducted. It is being done right on the eve of the retirement of the baby boom generation. What a profound mistake.

This plan is also deeply unfair. As Mr. Buffett said: His class is the biggest beneficiary. But he has that right. For those earning over $1 million a year, their tax cut for this year alone will be over $93,000. Let me say that again. If you are fortunate enough to be earning over $1 million a year in 2003, this package will give you on average a tax cut this year of over $93,000. If you are a middle-income person, if you are in the 20 percent of taxpayers who are right in the middle of the income distribution, your average benefit will be $217. Do you think that is fair? Our friends on the other side will say: Well, rich people pay more taxes. Indeed, they do. That is how our tax system works. But they don't pay that disproportionate a share of the taxes. No. No. They pay about 23 or 24 percent of the taxes. They are getting almost 40 percent of the benefit out of this plan. That is what is going on here. Don't let anybody tell you this is a fair plan, evenly distributed, based on what people pay in taxes, because it is not. It is not even close to being evenly distributed.

It doesn't end there. This tax bill produces gimmick after gimmick after gimmick to hide its true cost. This is a ''now you see it, now you don't'' tax plan that comes and goes. Taxes are lower. Taxes are raised. Taxes are jumping all around because they have to hide the true cost of this plan.

Here is how they propose fixing the standard deduction marriage penalty. The marriage penalty is eliminated when you get to a standard deduction for joint filers of $9,500. So for 2003 and 2004, they are at $9,500. Then in 2005, they drop it down to $8,265, representing a huge tax increase for those couples for 2005. Then they jump it up to $8,740 for 2006; $8,883 for 2007; then in 2009 and 2010, it goes back up to $9,500. Then look what happens in 2011, 2012, 2013. I mean this thing is embarrassingly bad. Then it goes down to the standard deduction to $7,950—meaning another big tax increase for people facing the marriage penalty. They don't just do it with the marriage penalty.

Here is what they do with the child tax credit: it was $600 in 2002; they increase it to $1,000 in 2003 and 2004. Then they cut it to $700 for 4 years. Then they raise it to $800. Then in 2010 they raise it to $1,000. Then they cut it in 2011, 2012, and 2013 back down to $500.

Does this make any sense to anybody watching or listening; this kind of tax policy? The ranking member calls this a yo-yo tax plan. It is at least a yo-yo. And it doesn't end with the marriage penalty or the child tax credit. Here is the 10-percent bracket. It shrinks for 2 years, then disappears altogether in 2011. Look at this plan. I don't know. It is not a pretty thing. From $12,000, it goes up to $14,000 for 2 years, then back down to $12,000 for 3 years, then it jumps for 3 years up to $14,000. Then it goes down to zero for 3 years. Who is kidding who about this plan?

This thing is absurd on its face. Here is the small business expensing limit. From $25,000 in 2002, they increase it to $100,000 for 2003, 2004, 2005. Then they cut it back to $25,000 all the rest of the time. Top rate on dividends, same pattern, jumping all around: 38.6, then they cut it to 15 percent for 6 years. Then they jump it back up to 35 percent for 5 years.

Our ranking member has called it a yo-yo tax plan. There is the yo-yo, up and down and all around. Economists say this is going to create such confusion, such chaos, such a lack of predictability in the tax system that in and of itself, the unpredictability will cost the economy substantially.

The top rate on capital gains, same thing, jumping all around: 20 percent, then down to 15 percent for 6 years, then it is back up to 20 percent for 5 years.

This is a tax policy that not even a mother would love, if this were a child.

We can do better than this. This is a policy that is irresponsible fiscally. It is ineffective in terms of stimulus, and it is totally unfair. Those are the best things I can think to say about it.

This is a tax policy that is going to plunge us right off the cliff into deficits and debt as far as the eye can see, and it is going to hurt this economy.

I urge my colleagues to vote against the conference report. I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. CORZINE. Mr. President, as always the Senator from North Dakota has made an eloquent presentation, a graphic presentation, an intellectually honest presentation of where we stand with regard to the economic policies before us in the Senate. I appreciate his strong effort in trying to educate our colleagues and the public with a graphic demonstration of many of the weaknesses which I will discuss tonight with regard to the conference report, the so-called tax relief program.

Tomorrow, this body will in all probability pass two pieces of legislation which will have tremendous economic impact on the American people and our economy. In my view, they will have a negative economic impact. I do not consider this a jobs and growth package. I believe it is antigrowth, and I will go through some of the reasons that is the case.

One thing for sure is, I know when we pass that debt limit tomorrow—that $984 billion debt limit, just a little smidgen under $1 trillion. It's like pricing something at $99.95, just under $100. It is so we don't have to say it is by $1 trillion we are increasing the debt limit tomorrow. We are increasing, for every single American who is watching this tonight, their debt load $3,500. That is how much we are increasing it as we spend out that debt limit increase over the next year or 15 months.

By the way, that is $28 billion of debt we are laying on the people of the State of New Jersey. I think they ought to know that. That is a huge cost and a big implication over time. I don't want to talk about the debt limit tonight because we will have time to go through that tomorrow. It is really indicative of the problem; it is not the problem. The underlying economic policy is what has allowed that to happen.

The conference report that will be before us—I hope we get a chance to read it so we don't have $70 billion errors that show up after the fact because of how we have framed it. But I know from the outlines of what we have been able to see this is going to have a dramatic impact on the future of our economy and the quality of life for every American, because in this tax program we are making enormous choices. I think this legislation is going to lead to—well, we already have massive deficits. I am hearing estimates from people in the private sector that we are now well over $400 billion this year—north of 4 percent GDP. That is deepening the debt as we go forward. I think this will weaken the economy in the long term. I will try to say some of the reasons why. I almost certainly know it is going to reduce the quality of life for the people of the United States.

Before I talk about the economic implications, I think this needs to be framed in the context of the values we are speaking to while we go through this tax cut legislation. It says a lot about us as Senators, Americans, and about what our priorities are.

Here we have a huge set of tax breaks for the privileged few, some would say elite: $93,000 is the estimate for people making over $1 million, with 53 percent of all taxpaying Americans only getting $100 or less. Let's hear that again. Less than 1 percent of taxpayers make over a million dollars, but they get a $93,000 tax break, and 53 percent of the taxpaying Americans get less than $100.

What are we trading that off against with our ability to invest back in America? I don't think investing in America is really the issue. The administration is calling for deep cuts in education. We are not fulfilling our mandate on Leave No Child Behind. We gave them the test, but not the money. We are talking about limiting the benefits for our veterans. We are cutting back on the number of people who have access to veterans hospitals and clinics in my home State—a number of veterans who have access to a prescription drug benefit they were promised. We are talking about limiting the dollars we can invest in homeland security.

We are now at level orange, and every State and community now has their law enforcement and local folks on overtime, running up huge tabs. In New Jersey, I think the figure is about $1.2 million a week, with the way they calculated it the last time. If it is wrong, it is a lot more. These are incredible burdens we are putting on them. Frankly, I think what really is a mistake is that we are going to lose our ability to protect Social Security and make sure Medicare is there for future generations. We have 37 million Americans now who are over 65 and in another 10, 15 years, we will have about 75 million, give or take. We will not, with tax policies that we have in place today, be able to secure Social Security and Medicare as we know it today. You are going to hear the term ''reform'' all the time. All that is about is not having the capacity to deal with the demands Medicare is going to place on our system of Social Security in the years ahead. Some of us think there is a real attempt to undermine the basic social safety net programs that are very much a part of the values of the American way of life.

Maybe the President and my colleagues on the other side of the aisle believe in this tax cut, or that tax breaks for a very limited number of folks are more important than education. I don't think people feel that way in New Jersey. Maybe they believe it is more important to force cuts in Social Security or guaranteed benefits on Social Security down the road. Maybe we need to privatize it because we don't have the resources. I don't think I am hearing that from constituents in New Jersey, and that is not what I will fight for on the floor as we go ahead.

Most of my constituents strongly disagree with those priorities and the values of placing these tax breaks that are heavily loaded and benefiting those who are already doing well in our society versus having the ability to invest back in America the way I think so many believe—at least my constituents. I think it will be a hard sell when they get the fundamental facts out about what this tax cut program is all about.

Having said what I had to say about values, the problem with this legislation goes well beyond those issues. The key problem is very simple. I don't think it works. I just think it is flat out not intended to revive our economy. There is no indication it is going to create jobs. Actually, it might well do the opposite because we are undermining the tax base of our State and local governments. They have to raise taxes. We are taking money off the balance sheets of corporations by giving them encouragement to pay dividends. I don't know how companies go out and hire people, invest in plant and equipment, or put projects together on research and development when they don't have cash. I think that is actually what drives and gives incentive to the corporations to operate. So I have a hard time understanding even the theory of this program.

I know the administration and my colleagues on the other side of the aisle disagree. I know they have a theory about how these tax breaks work. They seem to really believe that huge windfalls or large tax breaks for a limited number of investors eventually will trickle their way through the system to working Americans. They seem to believe cutting taxes will actually increase flows of revenue to the Federal Government. They have to believe that. I believe they are sincere; they must be. I didn't come to the floor to question anybody's motivations or sincerity. But their arguments don't stand up to serious analysis and scrutiny by anyone who stands back and asks: Does this work? What does history tell us? It contradicts these views; it directly contradicts the basic principles of economics as expressed in the past by some of the administration's own policymakers, which I will cite as we go down the road.

We have tried radical supply-side economics before; we tried them back in the 1980s. We certainly got the massive deficits. Then we had the crash of 1987, and we had all kinds of serious dislocations and a sustained period of slow economic growth in the late 1980s and early 1990s. We tried them just 2 years ago when President Bush and Congress pushed through the first tax cut. Where are the results? Tell me what has happened to employment since we passed the first tax cut. I think it is something like we have lost 2 million jobs since then. We have had 2.7 million private sector jobs lost since we have been implementing and debating these kinds of policies. So it didn't work the first time, and we are going to try the second time.

We have to also understand our fiscal position does have something to do with what happens in the economy. We have moved, in the 2 years and 4 months since this administration has been in office, from a projected surplus of $5.6 trillion to a deficit projection of $1.8 trillion.

It is mind-boggling how big these numbers are, but a $7 trillion swing in the cash position of the Federal Government is a big deal. It is not just a little bit of money. That is not $1. That is $1 trillion, $2 trillion, all the way up to $7 trillion of negative cash swing for the Federal Government in 2 years and 4 months.

If you were running a business and you had that kind of cash swing, I guess you would be scrambling to find someone to lend you money. Maybe that is what we are seeing with respect to our dollar today, which has had a 20-percent depreciation. Maybe people are a little less enthusiastic about holding dollar assets outside the United States.

As I said, we lost 2.7 million private sector jobs. Two million people today have been unemployed for over 6 months. Frankly, this administration is on track for the worst job creation record in over 50 years, and we are trying to do the same thing over and over.

The history is clear, at least to this reader of history. Large tax breaks, privileged few, massive deficits, and massive debt simply do not work. They do not make the pie expand; they make it shrink. They do not lift all boats; they drain the economy and hurt everyone, including, by the way, many of those who get the bulk of the tax breaks.

I do not understand why we thought policies were so bad in the 1990s. There was a great expansion of wealth at all levels across the economic spectrum in this country. Probably more millionaires were made in the 1990s than any time in the history of the United States.

That is the history that I know, and it should not come as a surprise because economists have been arguing against these kinds of policies for years. Which economists? The Senator from North Dakota talked about the 10 Nobel Prize winners, and there are 450 economists from academic institutions across America, 250 business folks, economists such as Alan Greenspan, major economists on Wall Street—across the economy—who speak out against these policies. I will add, and this is the hard one, economists from the Bush administration.

Let me read from the book authored by President Bush's nominee—I guess he has not yet been confirmed by the Senate, but the nomination has been reported out of the Senate Banking Committee—to be head of the Council of Economic Advisers, Greg Mankiw. He is a great economist from Harvard. He wrote the textbook for Economics 101 that is being used at most colleges across America today. It is called ''The Essentials of Economics.'' I usually bring it with me and read it but I did not do that tonight.

In this book, obviously written before joining the Bush administration, Professor Mankiw, in effect, points out the fundamental fallacies of this tax policy, this fiscal policy. I will take, for example, the argument from many administration officials that deficits do not matter. This happens to be on page 401. I do not have the book. I used to cite it regularly. Professor Mankiw says:

When the Government reduces national savings by running a budget deficit—

I think that is what we are doing now—

the interest rate rises and investment falls because investment is important for long run economic growth. Government budget deficits reduce the economy's growth rate.

That is Professor Mankiw at page 401 of his textbook, ''The Essentials of Economics.''

What about claims that cutting taxes will actually lead to higher levels of revenue? That is the supply-side dynamic scoring. What does Professor Mankiw say about that? This is another quote:

Some supplysiders push their arguments to ridiculous extremes claiming, for instance, that tax cuts would generate so much growth that they would be self-financing. The experience of the Reagan years puts this theory to rest.

Professor Mankiw is obviously right about the bankruptcy of supply-side economics, at least from my perspective. Fortunately, he is wrong about one thing. The Reagan years did not prove it to somebody or a whole bunch of folks because we are trying it all over again. It is alive and well right here in Washington, DC, and we are not following what I think are the essentials of economics, and we are practicing ideological economics, politics, as opposed to dealing with the real world as I think most folks know it.

The truth is deficits do matter. They matter for our economy, just as they matter for ordinary American families, just as they do for our State and local governments, just as they do for everyone who operates in an economic context.

According to one analysis, by lowering national savings and increasing long-term interest rates, the incomes of working Americans would be reduced by about 2 percent, or about $1,000 per person. That is the economic analysis that is often an accepted rule of thumb. While the tax breaks would go primarily to the few of the best-off Americans, most Americans will suffer from this reduction in their income. Most Americans will.

Keep in mind, the Federal debt does not come free. It leads to increases in interest payments that must be paid by ordinary American taxpayers. Over 10 years, spending on interest on additional debt, what might be called a debt tax, in my view—and I would like to get that out—of the increase of the deficit that is projected in the years ahead would amount to $2.4 trillion for the tax cut that we are going to probably sign off on tomorrow.

That, by the way, is $30,000 in interest burden for a family of four. I don't know, that sort of offsets a lot of this talk about the kind of benefit this is supposedly going to have in the pockets of individuals. Somehow or another, those interest expenses for the Federal Government are going to have to get paid by the taxpayer. Somehow or another they are going to have to show up. For a family of four, that is the interest burden.

The impact of higher interest rates is not limited to higher taxes that our taxpayers will have to pay to service the Federal debt. It is also going to impact the debt payments they are going to have to make. It has been estimated that for every 1-percent increase in the deficit as a percentage of GDP, other things being equal, interest rates go up to where they would have been otherwise one-half to 1 percent.

We have a weak economy right now, so we have very low interest rates. Maybe they would be lower if we did not have huge deficits, and if we happened to get back into a more rapidly growing economy, then the increase in interest rates will be very rapid and the cost for ordinary families will be very real.

For instance, on a $100,000 30-year mortgage, the increase in mortgage payments by that 1-percent increase would be a $860 per year payment. That is out of pocket. That is a tax.

Consider what you are going to be paying in additional dollars on car loans, something approaching $100 a year if you had a $10,000 car loan; multiply it out by 30,000, you get $300 or $400 on car loan payments, and then on a $20,000 student loan or maybe it is a $100,000 student loan, and you get another $500. Cumulative, if the economic analysis is right by people who have been doing this over and over, we have families paying something like $2,000 more in higher interest costs than they would pay if we did not have these kinds of deficits.

The Bush debt tax would take a real bite out of family budgets. Remember, 53 percent of Americans are going to get $100 or less, and I just went through how somebody could end up paying $2,000 more in interest expense, which I call a debt tax.

This bill will not really result in tax cuts for many, if not most, Americans, and it will result in a massive tax burden shift with a handful of elite investors paying far fewer Federal taxes and other taxpayers eventually having to make up the difference somehow or another.

Somehow or another it often is at the State and local level. Rising property taxes, sales taxes, State income taxes, and gas taxes all are likely to be going up. I should not say likely; they are going up. New Jersey property taxes at the local level went up 7 percent this year. Across the river in New York City they went up 18 percent.

We are putting a burden on State and local governments that is going to more than make up for anybody's average—pick the number. We are going to end up paying more in taxes at the State and local level than anybody could argue someone is making on the kinds of tax breaks we are doing, other than the very top income earners in America.

This does not do very much for average Americans, for people who are middle income, working hard, trying to make things happen with a solid budget. This is a massive tax shift from those who are doing well to middle-income folks, lower income folks.

Four out of five Americans pay more in payroll taxes than they pay in income taxes. Why we did not think about payroll taxes or wage tax credits is hard for me to understand. That is where the real tax burden is. If we are going to protect Social Security and Medicare as we go forward, I wonder where we are going to get those dollars. Probably right back in the payroll taxes.

In my view, this is not a tax cut; it is a tax shift. Frankly, this should not come as a surprise to anyone. One does not need an economics degree to be skeptical about promises based on the premise that we have a free lunch; that if we cut taxes, revenues are going to grow so much that we do not have to worry about our budget deficit.

The truth is, we pass these tax breaks out to a very narrow segment of society. Everybody else ends up paying. I suppose there might be an argument for the Bush debt tax if it were being used somehow to create jobs and strengthen the economy, but it will not. According to one respected firm, Economy.com, the White House plan, which is similar to the legislation before us in many ways, causes the loss of 750,000 jobs over the next 10 years. That is on top of the 2.7 we have already lost.

In my view, the Republican plan will depress economic growth not only because it will dramatically increase Federal debt but because of its failure to address the worst fiscal crisis facing our States in 50 years.

I am glad we put $20 billion into this program. I am glad that in the negotiations we have provided some help. But with the dividend exclusion and the capital gains tied to State income tax rates, in most instances they are going to be losing, if it were pure dividend exclusion, $10 billion. I do not really know how this is going to apply to the States, but it is not going to be a healthy benefit to our State governments.

Unfortunately, there are a lot of people who do not care. Again, there is this ideological policy as opposed to an economic policy. I will only quote one leading supporter of this proposal who is very strong in supporting most of the things the administration does, and that is Grover Norquist. He has stated, I guess, what we are trying to practice: I hope the State goes bankrupt.

Well, some of my colleagues may hope that States go bankrupt. I do not think many of them do. The truth is, when States face problems, it is not just State officials who suffer. It is working families. It is kids on CHIPS, the Children's Health Insurance Program. It is Medicare beneficiaries. It is our hospitals. It is our roads. It is all that holds us together as a society.

I go full circle and come back. This is about values as well as about economic numbers: Who gets what and what is going to happen to the economy? I think we are missing it and missing it big time in understanding that for the benefit of a very few, we are actually walking away from helping those in whom I think many of us believe we ought to be investing.

I could go on and on about other elements, but I see the ranking member who has fought so hard for reasonable economic policies, Senator BAUCUS. He has talked about this as a yo-yo or shell game, whatever one wants to call it, with sunsets. We have made sunsets, which should be a beautiful thought in American minds, into something that is almost silly in the context of this particular package. The $350 billion is really $800 billion to $1 trillion. I am sure those who have proposed this think this is a program that is going to stay on the books. If we are going to stay with this program, including even some of the middle-class income tax breaks on marriage penalty, child tax credits and other things, this will amount to $800 billion to $1 trillion.

This is bad fiction. This is not even a fair representation of the reality of the cost. So not only is it bad economic policy, I think it also challenges the basic values that we should be representing in the Senate. It is not even truthful.

Some could argue that it is Enron-like accounting. I think it is not the right way to deal with the American people to say we have a $350 billion tax cut when we really have a $1 trillion tax cut, at best. It may be a little less, may be a little more, depending on how things work out.

This is going to bring on a new age in tax shelters, a new opportunity that people are going to be working on. They are probably working on it right now on Wall Street. The differential between earned income and dividend and capital gains income creates an enormous bonanza of opportunity for the creative mind to translate current earnings, wage earnings, into capital gains.

There will be more midnight oil burned in the next 3 months figuring out tax shelter strategies than we have ever been able to imagine. From what I understand—again I have not seen the detail of it—we took out all of the closing of loopholes that were a positive part of the Senate bill. I find some of the values that we are reflecting there an enormously disturbing element from what I understand about this conference report.

The saying is, fool me once, shame on you. Fool me twice, shame on me. I think that is what we are doing with this proposal. I do not think it does what it says it is going to do about growing the economy. I do not think it reflects our values. I sure do not think the American people are getting a tax break. What they are getting is a debt tax laid on them that is going to overwhelm any of the benefits. In the long run, we threaten ourselves and our ability to invest in education, invest in Social Security.

I do not get it. I think it is a bad thing to do. I hope my colleagues will have a good night's sleep, think a little bit about how some of this works, come back and be honest with the American people, rid ourselves of some of these gimmickries, and get on with an effective fiscal policy and economic policy that really does work for working families.

I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, the order is what?

The PRESIDING OFFICER (Mr. TALENT). We are in morning business.

JOBS AND GROWTH PACKAGE

Mr. GRASSLEY. Mr. President, I use morning business as a forum to discuss some of the issues that are going to be coming up tonight and tomorrow morning before we vote on the tax bill conference, the jobs bill, the growth package—whatever you want to call it. I take my opportunity to speak to the conference report that was agreed to this afternoon.

There has been a great deal of hard work that has taken place in the last few days to bring the reconciliation conference agreement to completion. I thank all of my colleagues and the House for their hard work and their cooperation in meeting our goal of getting a jobs and growth bill to the President by this Memorial Day recess.

We all agree the economy needs a shot in the arm. Although our economy is growing, it is not growing fast enough to create jobs. The difference is it has been growing for about a year and a half at 2 percent, roughly. We do not create jobs at 2 percent even though the economy is growing. It takes growth of about 3 to 3.5 percent to create jobs. We believe this bill will bring about the proper growth.

Some estimates, some versions of the growth package, although not necessarily this compromise before the Senate, is that it will create 1.4 million new jobs. A major cause of the sluggish economy is the bursting of the stock market bubble created in the 1990s. This bill will address the ailing stock market. It will help create jobs. It will grow the economy. It will put money back into the hands of families, consumers, investors, and businesses that will help fuel our economic engines that create those jobs that we hope will be created from this legislation.

It is often said that various bills before the Congress might be historic in nature, and I don't want to overplay this one, but I do want to use the term about this being an historic agreement in this sense: It will amount to the third largest tax cut in history. President Bush should be highly praised for initiating two out of the last three largest tax relief packages passed by the Congress in that period of time.

The packages before the Senate abide by the budget agreement of the Senate side limiting the overall number to $350 billion. It includes the speeding up of all rate reductions, as well as the House's innovative version of the President's dividend proposal that will not only reduce dividend tax but also reduce the capital gains rate, as well.

Capital gains and dividends will be taxed when this bill becomes law at 15 percent and 5 percent depending upon the level of income. The 5 percent eventually will be phased down to reach zero level of taxation in the year 2008.

This happens to be the lowest level of capital gains tax since 1934. Dividends will also be taxed at historic lows, and those figures would be the same rates of taxation as apply to capital gains.

We also included in this package an expenditure of $20 billion in aid to States that was in the Senate bill, which I know my fellow Senate colleagues, including Senator Rockefeller, who was a conferee, will appreciate.

In addition, the bill includes further child tax credit and marriage penalty relief. Some may argue that we did not do enough regarding the two problems. This bill will greatly improve current law. If Senators vote for this measure, they are voting to put approximately an extra $1,000 in the pockets of a family of four if that family has two children. They are going to do this for the next couple of years compared to current law. That is going to be retroactive to January 1 of this year, and it would presume a rebate of $400 per child back to any family who reported children on their income tax. That check should be in the mail later this summer or very early in the fall. So a family with two children would get an $800 rebate check from the Federal Treasury later this year.

As chairman of the Finance Committee, I certainly intend to continue and enhance improvements in marriage penalty and child tax credit in the coming years. In other words, we should get to that goal of continuing